

Message Text

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SUBJ: ECONOMIC POLICYMAKERS MEET TO REVIEW PAST DEVELOPMENS AND
DETERMINE FUTURE POLICIES

REF A. ATHENS 6483, B. ATHENS 1595

1. INTRODUCTION AND SUMMARS: PRIME MINISTER CARAMANLIS LAST
WEEK CHAIRED TWO CABINET-LEVEL MEETINGS ON CURRENT ECONOMIC
DEVELOPMENTS AND POLICIES.

THE PRIME MINISTER, MINISTER AND
UNDERSECRETARIES OF COORDINATION, MINISTER OF FINANCE, GOVERNORS
OF THE BANK OF GREECE AND ETVA, CHAIRMAN OF HIMIC, AND OTHER
GOG AND BANK OFFICIALS REVIEWED ECONOMIC DEVELOPMENTS TO DATE
AND DISCUSSED POLICIES AND GOALS FOR THE SECOND HALF OF 1977.
AT THE CONCLUSION OF THE MEETINGS, A PRESS RELEASE SUMMARIZED
DEVELOPMENTS IN THE AREAS OF PUBLIC FINANCE, PRICES, BALANCE
OF PAYMENTS, MONEY AND CREDIT, GROSS NATIONAL PRODUCT (GNP),
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AND INVESTMENT. THE GENERAL TARGETS GIVEN FOR THE
SECOND HALF OF THE YEAR REMAIN AS BEFORE: TO ENCOURAGE
ECONOMIC GROWTH AND, PARTICULARLY, PRODUCTIVE INVESTMENT,
RESTRAIN PRICE INCREASES, AND IMPROVE LIVING STANDARDS
OF LOWER INCOME GROUPS. END SUMMARY.

2. BUDGET: ACCORDING TO THE GOG ANNOUNCEMENT, REGULAR

BUDGET REVENUES AND EXPENDITURES ARE PROCEEDING AS PROJECTED. THE GOVERNMENT EXPECTS THE 1978 REGULAR BUDGET TO BE BALANCED WITHOUT RESORTING TO NEW TAXATION, ANTICIPATING HIGHER REVENUES FROM INCREASES IN NATIONAL INCOME AND VOLUME OF TRANSACTIONS. THE 1977 INVESTMENT BUDGET, WHOSE IMPLEMENTATION WAS DELAYED IN THE BEGINNING OF THE YEAR, SHOULD REACH OR EXCEED THE PROJECTED LEVEL OF 45 BILLION DRACHMAS. THE ECONOMIC SITUATION AND DEVELOPMENT NEEDS WILL DETERMINE NEXT YEAR'S INVESTMENT BUDGET.

3. PRICES: BOTH CONSUMER (CPI) AND WHOLESALE PRICE INDICES HAVE SHOWN SOME SIGNS OF SLACKENING (SEE REF A). GOG POLICY IN THE SECOND HALF OF 1977 WILL BE DIRECTED TOWARDS IDENTIFYING AND RESTRAINING UNJUSTIFIED PRICE INCREASES WHICH SIGNIFICANTLY AFFECT THE CPI, E.G. PRIVATE SCHOOL FEES, CLOTHING AND FOOTWEAR, AND FRESH FRUITS AND VEGETABLES. INFLATION REMAINS A MAJOR GOG CONCERN, PARTICULARLY ITS IMPLICATIONS FOR THE GOVERNMENT'S INCOMES POLICY.

4. BALANCE OF PAYMENTS: (SEE ALSO REF A) THE GOG ANNOUNCEMENT REVIEWED THE TRADE ACCOUNT IN THE FIRST FIVE MONTHS OF 1977. IT NOTED, ON THE EXPORT SIDE, THE CONTINUING EXPANSION OF GREEK EXPORTS TO THE MIDDLE EAST AND AFRICA AND, ON THE IMPORT SIDE, THE LARGE INCREASES DUE TO HIGHER PRICES FOR OIL AND OTHER

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COMMODITIES AS WELL AS HIGHER PAYMENTS FOR MILITARY EQUIPMENT. THE GOG ANTICIPATES NO INCREASE IN OFFICIAL ASSETS IN 1977, AND HOPES TO KEEP OFFICIAL BORROWING TO A MINIMUM, I.E. AROUND LAST YEAR'S LEVEL OF \$429 MILLION (BANK OF GREECE FINAL DATA).

5. CREDIT AND FISCAL POLICY: THE GOG STATED THAT THERE WILL BE NO RESTRICTIONS ON CREDIT FOR PRODUCTIVE INVESTMENT AND EXPORTS, PROVIDED THEY ARE BASED ON SOUND CRITERIA. PRIVATE DEPOSITS ARE EXPECTED TO INCREASE BY 80 BILLION DRACHMAS, 23 PERCENT OVER 1976, AS OPPOSED TO 71 BILLION DRACHMAS IN 1976, 26 PERCENT OVER THE PREVIOUS YEAR. CREDIT DEMAND SHOULD BE EASILY MET THROUGH INCREASED DEPOSITS AND CURRENCY CIRCULATION. AS THE GOVERNMENT HOPES TO SHIFT INVESTMENT FROM ITS CONCENTRATION IN RESIDENTIAL HOUSING SECTOR, PRODUCTIVE INVESTMENT WILL BE EMPHASIZED OVER HOUSING LOANS; PRIORITY IN THE LATTER WILL BE GIVEN TO LOWER INCOME GROUPS.

6. GNP AND INVESTMENT: THE GOG ANTICIPATES A 1977 GNP GROWTH TWO PERCENT HIGHER THAN THE EC AVERAGE, DESPITE A DECREASE IN AGRICULTURAL PRODUCTION (SEE REF A). THE

ANNOUNCEMENT SAID THAT STRIKES IN THE FIRST PART OF THE
YEAR ADVERSELY AFFECTED INDUSTRIAL PRODUCTION, BUT THE
GOG STILL HOPES FOR A SATISFACTORY RESULT BY YEAR-END.
ON THE INVESTMENT SIDE, THE GOVERNMENT ANNOUNCED THAT
IT PLANS NEW TAXATION AND INVESTMENT MEASURES, AND IS
PREPARED TO DISCUSS THEM WITH INTERESTED GROUPS BEFORE
IMPLEMENTATION AT THE TIME OF ACCESSION TO THE EC.
THE DRAFT ANTITRUST LAW, WHICH IS ALSO A CORNERSTONE OF
GOG ANTI-INFLATION POLICY, WILL BE PRESENTED TO
PARLIAMENT THIS SUMMER. (SEE REF B).
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